CLUB FINANCE HOLDINGS LIMITED DIRECTORS' REPORT

The directors present their report together with the financial report of Club Finance Holdings Limited (Club Finance Holdings), for the year to 30 June 2018 and the auditor's report thereon.

DIRECTORS

The following persons were directors of Club Finance Holdings during the whole of the financial year and until the date of this report, except where otherwise indicated:

John Minz (Chairman)

Adam L Allan (ceased 31 December 2017)

Jayne Arlett (appointed 1 January 2018)

Janette M Bowe

Campbell Charlton (appointed 1 January 2018)

Helen A Coyer

John T Fisher-Stamp (ceased 31 December 2017)

Anthony Gambling (appointed 1 July 2018)

Ian A Gillespie

Elizabeth Jameson (appointed 30 July 2018)

Neville J Ide

Nathan L King (ceased 31 December 2017)

Anthony G McGruther (ceased 31 December 2017)

Bronwyn K Morris

Karl Morris (appointed 1 January 2018)

Leona Murphy (appointed 1 July 2018)

Peter G Whitelaw (retired 30 November 2017)

Further information on the current directors is contained in the Club Finance Holdings Directors and Officers section on pages 5 to 7. This section also includes their qualifications, experience and particular responsibilities.

DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors), and each Club Finance Holdings director's attendance at those meetings during the year, are set out on page 4.

COMPANY SECRETARIES

The company secretaries of Club Finance Holdings are detailed in the Directors and Officers section on page 8.

OFFICERS

The persons who were officers of Club Finance Holdings during the financial year are detailed in the Directors and Officers section on page 8.

PRINCIPAL ACTIVITIES

Club Finance Holdings is a majority controlled entity of The Royal Automobile Club of Queensland Limited (RACQ). Club Finance Holdings was authorised as a Non-Operating Holding Company (NOHC) for Australian Prudential Regulation Authority (APRA) purposes with effect from 24 November 2016. As a NOHC, the operations of the Company are limited. The principal activity during the year was holding shares in Members Banking Group Limited (RACQ Bank).

Club Finance Holdings also issued Legacy Shares to former RACQ Bank members on 24 November 2016 as part of the merger with RACQ.

There were no significant changes in the nature of these activities during the year.

OPERATING AND FINANCIAL REVIEW

Club Finance Holdings became a NOHC on 24 November 2016 when RACQ Bank became a wholly owned subsidiary of the Company. The operations of Club Finance Holdings are centred on monitoring the performance of RACQ Bank in accordance with prudential guidelines set by APRA.

Club Finance Holding's operations for the year produced a result of $0 (2017: loss of $66,000).

DIVIDENDS

No dividends were paid or declared during the current year.

STATE OF AFFAIRS

Club Finance Holdings was authorised as a NOHC for APRA purposes with effect from 24 November 2016.

There were no significant changes in the state of affairs of the company during the year other than as stated in this report and the financial report.

STRATEGIES AND PROSPECTS

As Club Finance Holdings' principal activity is holding and monitoring the RACQ Group's investment in RACQ Bank, its strategy and prospects are based entirely on the strategy and performance of RACQ Bank.

ENVIRONMENTAL REGULATION

Club Finance Holdings' operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the board believes that Club Finance Holdings has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to Club Finance Holdings.

EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of Club Finance Holdings, to affect significantly the operations of Club Finance Holdings, the results of those operations, or the state of affairs of Club Finance Holdings, in future financial years.

LIKELY DEVELOPMENTS

The Directors do not anticipate that there will be any major changes to the operations or activities undertaken by the Company in subsequent financial years.

INDEMNIFICATION AND INSURANCE

RACQ and RACQ Bank have entered into standard form deeds with directors and officers to indemnify them to the maximum extent permitted by law against all liabilities that may arise from their position with Club Finance Holdings. The agreements stipulate that RACQ or RACQ Bank will meet the full amount of any such liabilities, including losses, costs, charges, damages and expenses.

RACQ holds a Directors' and Officers' Liability Insurance policy on behalf of directors and officers of Club Finance Holdings. The directors have not included details in this report of the nature of the liabilities covered, the limit of liabilities covered, or the amount of premium paid in respect of the Directors' and Officers' Liability Insurance contract, as such disclosure is prohibited under the terms of the contract.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration is set out on page 9 and forms part of the Directors' Report for the year ended 30 June 2018.

ROUNDING OFF

Club Finance Holdings is a company of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, and in accordance with that Instrument, amounts in the Financial Report have been rounded off to the nearest one thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the Club Finance Holdings Directors.

John J Minz

JOHN MINZ

Chairman

24 September 2018

CLUB FINANCE HOLDINGS BOARD AND COMMITTEE MEETINGS

Director	Club Finance Holdings Board		Bank Audit Committee[1]		Group Remuneration and Nomination Committee[2]		Bank Risk and Compliance Committee[3]	
	A	H	A	H	A	H	A	H
Adam Allan (ceased 31 December 2017)	3	3	-	-	-	-	2	2
Jayne Arlett (appointed 1 January 2018)	4	4	2	2	-	-	-	-
Janette Bowe	7	7	3	5	-	-	3	4
Campbell Charlton (appointed 1 January 2018)	4	4	2	2	-	-	-	-
Helen Coyer	7	7	2	2	-	-	4	4
John Fisher-Stamp (ceased 31 December 2017)	3	3	3	3	-	-	2	2
Ian Gillespie	6	7	-	-	-	-	-	-
Neville Ide	7	7	-	-	-	-	4	4
Nathan King (ceased 31 December 2017)	3	3	-	-	-	-	-	-
Anthony McGruther (ceased 31 December 2017)	3	3	2	3	-	-	-	-
John Minz	7	7	2	3	6	6	2	2
Bronwyn Morris	7	7	-	-	6	6	-	-
Karl Morris (appointed 1 January 2018)	4	4	-	-			-	-
Peter Whitelaw (retired 30 November 2017)	3	3	-	-	4	4	-	-

A - meetings attended during the financial year
H - meetings held during the financial year while the director held office for which the director was eligible to attend

1 Name changed from 'Level 2 Banking Group Audit Committee' to 'Bank Audit Committee' on 26 March 2018
2 Name changed from 'Group Governance and Remuneration Committee to 'Group Remuneration and Nomination Committee' on 21 November 2017
3 Name changed from 'Level 2 Banking Group Risk and Compliance Committee' to 'Bank Risk and Compliance Committee' on 26 March 2018

CLUB FINANCE HOLDINGS DIRECTORS AND OFFICERS

John F Minz (Chairman) B. Com, Grad Dip Commercial Computing Sen. Fellow FINSIA, FAIM, FAICD

Director since 2017

Director of RACQ Limited, Members Banking Group Limited (RACQ Bank), RACQ Insurance Limited and Club Insurance Holdings Pty Ltd. Member of the Group Remuneration and Nomination Committee, the Group Risk and Compliance Committee and the Bank Risk and Compliance Committee.

Mr Minz retired as the Chief Executive Officer of Heritage Bank in November 2015, after 23 years with the Bank.

Mr Minz is Chairman of the Darling Downs and West Moreton PHN and President of Toowoomba Together Incorporated, a community charity created to help eliminate domestic and family violence. He is also Chairman of the charity Australia's CEO Challenge and a member of the Toowoomba Regional Committee of the Australian Institute of Company Directors.

Jayne P Arlett B.Sc. Pod Med, FASMF, FAAPSM, FAIM, GAICD

Director since January 2018

Director of RACQ Limited, Members Banking Group Limited (RACQ Bank), RACQ Insurance Limited and Club Insurance Holdings Pty Ltd. Member of the Group Audit Committee and the Bank Audit Committee.

Ms Arlett has a background in national sporting organisations, medicine and the private sector. She has 30-year career in business and extensive skills in innovation and marketing, particularly in the digital media space. She is a Member of the James Cook University Council, Chair of Discover Sport Limited, Chair of the Friends of the Museum of Tropical Queensland and a director of both Whitsunday Apartments Hamilton Island East Ltd and Whitsunday Apartments Hamilton Island West Ltd. Ms Arlett is a former Chair of the Townsville Fire Limited, former Commissioner for the WNBL and a director of several private companies. She has served on a variety of boards in the private, not-for-profit and government sectors over 20 years.

Janette M Bowe BHA, MBA, GAICD

Director since 2017

Director of Members Banking Group Limited (RACQ Bank). Chair of the Bank Risk and Compliance Committee and member of the Bank Audit Committee.

Ms Bowe is currently a strategy and management consultant with Bendelta and head of their Brisbane office. She is also Chair of Friendly Pharmacies Group in NSW and has previously held senior executive roles with the Commonwealth Bank of Australia and Suncorp-Metway Ltd.

Campbell J Charlton BCom, LL.B, FCA(Rtd), MAICD

Director since January 2018

Director of RACQ Limited, Members Banking Group Limited (RACQ Bank), RACQ Insurance Limited and Club Insurance Holdings Pty Ltd. Chair of the Bank Audit Committee and member of the Group Audit Committee.

Mr Charlton has a 35 year career as a Chartered Accountant and Corporate Advisor. He is the Deputy Chancellor of the James Cook University Council, a member of the Queensland Government's Commonwealth Games Legacy Advisory Committee and is also a director of North Queensland Cowboys Rugby League Club Limited, and a director of Citizens of the Great Barrier Reef Foundation Limited. He is a former Chairman of the Tourism Tropical North Queensland and Advance Cairns Limited and a former member of the Executive Committee of the Australia Papua New Guinea Business Council. He is also a past Chairman of the judging panels of both the Australian Tourism Awards and the Queensland Tourism Awards.

Helen A Coyer B.Bus (Accounting), GradDipIT, CPA, GAICD, AIMM

Director since 2017

Director of Club Finance Holdings Limited. Member of the Bank Risk and Compliance Committee and the Bank Audit Committee.

Ms Coyer is currently serving on several not for profit boards and has over 30 years' experience at general management with an extensive non executive director and senior executive career in service-oriented roles in the education, financial services and public sectors.

Anthony (Tony) M Gambling BBus, BEcon, MBA, FCPA, FAIM, FAICD, JP (Qual)

Director since July 2018

Director of RACQ Limited, RACQ Insurance Limited, Club Insurance Holdings Pty Ltd and Club Finance Holdings Limited. Member of the Group Capital and Investment Committee and the Insurance Risk and Compliance Committee.

Mr Gambling is the Director of Regional Development for Regional Development Australia Fitzroy and Central West. He is the former General Manager of Mango 4 Office Technology and a former director of companies involved in the commercialisation of emerging technologies. He is a member of the Central Queensland Committee of the Australian Institute of Company Directors and the Queensland Small Medium Enterprise Committee of CPA Australia.

Ian A Gillespie BA, Dip Laws(BAB), FCEOI, FAICD, FAIM

Director since 2016

Director of Members Banking Group Limited (RACQ Bank), RACQ Insurance Limited, Club Insurance Holdings Pty Ltd, RACQ Foundation Pty Ltd, RACQ Operations Pty Ltd and several other RACQ Group and related entities.

Mr Gillespie has been CEO of the RACQ Group since 2006. He is also a director of the Confederation of Australian Motor Sport, the Business Council of Cooperatives and Mutuals (BCCM), Chairman of Australian Motoring Services Pty Ltd and Vice-Chair of the Global Mobility Alliance. Mr Gillespie has more than 35 years' experience at general management and chief executive level in a broad range of industries in Australia and internationally.

Elizabeth M Jameson LL.B (Hons1), BA, FAICD, MQLS

Director since July 2018

Vice President and Deputy Chairman of RACQ Limited, Director of Members Banking Group Limited (RACQ Bank), RACQ Insurance Limited and Club Insurance Holdings Pty Ltd. Chair of the Group Audit Committee and member of the Group Remuneration and Nomination Committee and the Group Risk and Compliance Committee.

Ms Jameson is the principal and founder of corporate governance consultancy Board Matters Pty Ltd and associated firm Board Matters Legal (since 2002). With her prior background as a partner of a national law firm, she is a respected governance specialist, who is consulted widely at a national and international level. In addition, Elizabeth is an experienced director, serving over the past 25 years on the boards of more than 20 other organisations in the private, not-for-profit and public sectors. She is presently also chair of Brisbane Girls Grammar School, chair of Queensland Theatre and an independent member of the Board of Management of the Queensland Police Service.

Neville J Ide BBus, MComm, FCPA, FAICD

Director since 2017

Director of Members Banking Group Limited (RACQ Bank). Member of the RACQ Group Capital and Investment Committee and the Bank Risk and Compliance Committee.

Mr Ide has over 30 years' experience in financial markets, having held executive roles for the past 20 years at firstly Queensland Treasury Corporation and subsequently Suncorp Metway. During his career Mr Ide has built considerable expertise in financial asset and liability risk management. Mr Ide is currently a Director of SunWater Limited and Executive Director Queensland ANZ Institutional Bank (part time).

Bronwyn K Morris BCom, FCA, FAICD

Director since 2017

President and Chairman of RACQ Limited, Director of Members Banking Group Limited (RACQ Bank), RACQ Insurance Limited and Club Insurance Holdings Pty Ltd. Member of the Group Remuneration and Nomination Committee and the Group Audit Committee.

Ms Morris specialised for more than 20 years as a chartered accountant in audit and corporate services. Ms Morris is the Queensland Council President of the Australian Institute of Company Directors. She serves as a Director of a number of entities including Collins Food Limited, the Gold Coast 2018 Commonwealth Games Corporation, Watpac Limited and the Menzies Health Institute Queensland.

Karl D Morris BCom, MSAA, FAICD, FFin

Director since January 2018

Director of RACQ Limited, Members Banking Group Limited (RACQ Bank), RACQ Insurance Limited and Club Insurance Holdings Pty Ltd. Chair of the Group Capital and Investment Committee.

Karl Morris is Executive Chairman of Ord Minnett Limited with a career spanning over 30 years in financial services and wealth management. He is a Commerce graduate of Griffith University and holds diplomas from the Stockbrokers and Financial Advisors Association of Australia, Institute of Company Directors and FINSIA.

Karl has recently been appointed the Chairman of the Brisbane Broncos and is the Chairman and a Master Member of the Stockbrokers and Financial Advisers Association of Australia, Chairman of QSuper, Director of Gallipoli Medical Research, Board Member of JP Morgan Australia Advisory Council, Board Member of the Financial Sector Advisory Council, Board Member of Archdiocese of Brisbane Catholic Foundation, Chair of Mary MacKillop Brisbane Catholic School Access Fund, Chair of Griffith University Foundation Board and Governor of the University of Notre Dame Australia.

Leona C Murphy BCom, GAICD

Director since July 2018

Director of RACQ Limited, Members Banking Group Limited (RACQ Bank), RACQ Insurance Limited and Club Insurance Holdings Pty Ltd. Chair of the Group Risk and Compliance Committee and member of the Group Remuneration and Nomination Committee and the Insurance Risk and Compliance Committee.

Ms Murphy is an experienced senior executive with 24 years' experience in insurance and financial services. She has had C-Suite roles in top 20 ASX listed insurance organisations for 10 years, most recently, as Chief Strategy Officer at IAG.

She is currently a Director of Liberty Financial Limited, Director of New Zealand's Accident Compensation Commission, Independent Director of Stone & Chalk and is the Chair of the Royal Brisbane & Women's Hospital Foundation. Ms Murphy has been Co-Chair of the United Nation Environment's Principles for Sustainable Insurance Initiative and was recognised as one of Australia's Top 100 Women of Influence in the 2015 Australian Financial Review and Westpac Awards for her work in Global Resilience.

PREVIOUS DIRECTORS

Adam L Allan, B.Bus, MBA, F Fin, GAICD, AFAIM, AFAMI

Director February 2017 to December 2017. Director of Members Banking Group Limited (RACQ Bank). Member of the Level 2 Banking Group Risk and Compliance Committee.

John T Fisher-Stamp B.Bus.A, FCA, FTIA, MIMC, GAICD, CFP

Director February 2017 to December 2017. Deputy Chairman of Members Banking Group Limited (RACQ Bank). Chair of the Level 2 Banking Group Audit Committee and member of the Level 2 Banking Group Risk and Compliance Committee.

Nathan L King B.Bus (Banking & Finance), CPA, ACIS (Company Secretarial Practice), GAICD

Director February 2017 to December 2017. Director of Members Banking Group Limited (RACQ Bank). Member of the Level 2 Banking Group Audit Committee.

Anthony G McGruther M.Ed, Grad. Dip. Ed Admin, Dip. Teach, GAICD

Director February 2017 to 31 December 2017. Director of Members Banking Group Limited (RACQ Bank). Member of the Level 2 Banking Group Audit Committee.

Peter G Whitelaw B.Econ, B.Ed.Studies, M.Ed, Grad.Dip.School Admin, Grad Cert.Soc.Sc, MAMI, MAICD

Chairman February 2017 to 30 November 2017. Chairman of Members Banking Group Limited (RACQ Bank), RACQ Financial Planning Pty Ltd. Member of the Group Remuneration and Nomination Committee.

COMPANY SECRETARIES

Bradley D Bowes PhD, FGIA, FCIS, MAICD

Mr Bowes is company secretary for all the legal entities within the RACQ Group and heads the Group Secretariat with responsibility for group-wide corporate governance matters, including managing all matters associated with the efficient operation of the various boards and committees and of each annual general meeting. Mr Bowes is a chartered company secretary with over 20 years' experience in senior management and similar governance roles in both private enterprise and the public sector across a range of industries.

Michael K Thomason BCom, AGIA, ACIS, GAICD

Mr Thomason is joint company secretary for certain subsidiaries within the RACQ Group. He is a chartered company secretary with over 10 years' governance experience in Australia and overseas.

OFFICERS

Club Finance Holdings Chief Executive Officer - Ian Gillespie

BA, Dip Laws(BAB), FCEOI, FAICD, FAIM

Club Finance Holdings Chief Risk Officer - Darryn Hammond

B.Sci (Hons), LLB, G.Dip Corp Gov, MQLS, FGIA, FCIS

Club Finance Holdings Chief Financial Officer - Michael Lonergan

B.Bus, FCPA, Grad Dip App Fin

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Club Finance Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Club Finance Holdings Limited for the financial year ended 30 June 2018 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Tracey Barker
Partner

Brisbane
24 September 2018

Club Finance Holdings Limited

ACN 612 096 787

Financial Report

For the year ended 30 June 2018

CONTENTS

RACQ

Statement of Profit and Loss and Other Comprehensive Income for the year ended 30 June 2018

	Note	2018 $'000	*2017 $'000
Revenue		-	-
Expenses			
Administration expenses		-	(66)
Loss before income tax		-	**(66)**
Income tax benefit		-	-
Loss for the period		-	**(66)**
Other comprehensive income for the period, net of income tax		-	-
Total comprehensive loss for the period		-	**(66)**
Loss after income tax attributable to:			
Equity holders of the company		-	(66)
Total comprehensive loss attributable to:			
Equity holders of the company		-	(66)

** For the period 28 April 2016 to 30 June 2017*

The Statement of Profit and Loss and Other Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements set out on pages 14 to 19.

RACQ

Balance Sheet as at 30 June 2018

	Note	2018 $'000	2017 $'000
Current Assets			
Cash and cash equivalents		1	2
Trade and other receivables	4	6,114	6,114
Total current assets		**6,115**	**6,116**
Non-current assets			
Investment in subsidiary	3	192,150	167,150
Total non-current assets		**192,150**	**167,150**
Total assets		**198,265**	**173,266**
Current Liabilities			
Trade and other payables	5	729	748
Total current liabilities		**729**	**748**
Total liabilities		**729**	**748**
Net assets		**197,536**	**172,518**
Accumulated funds			
Share capital	6	31,135	6,117
Retained surplus		(66)	(66)
Reserves		166,467	166,467
Total accumulated funds		**197,536**	**172,518**

The Balance Sheet is to be read in conjunction with the Notes to the Financial Statements set out on pages 14 to 19.

RACQ

Statement of Changes in Equity for the year ended 30 June 2018

2018	Note	Share capital $'000	Retained surplus $'000	Merger reserve $'000	Total accumulated funds $'000
Balance at beginning of year		6,117	(66)	166,467	172,518
Loss for the year		-	-	-	-
Other comprehensive loss for the year		-	-	-	-
Total comprehensive loss for the year		**-**	**-**	**-**	**-**
Transactions with owners in their capacity as owners					
Shares issued	6	25,018	-	-	**25,018**
Total transactions with owners in their capacity as owners		**25,018**	**-**	**-**	**25,018**
Balance at end of year		**31,135**	**(66)**	**166,467**	**197,536**

Statement of Changes in Equity for the period 28 April 2016 to 30 June 2017

2017	Note	Share capital $'000	Retained surplus $'000	Merger reserve $'000	Total accumulated funds $'000
Loss for the period		-	(66)	-	(66)
Other comprehensive loss for the period		-	-	-	-
Total comprehensive loss for the period		**-**	**(66)**	**-**	**(66)**
Transactions with owners in their capacity as owners					
Shares issued	6	6,117			6,117
Merger with QT Mutual Bank		-	-	166,467	**166,467**
Total transactions with owners in their capacity as owners		**6,117**	**-**	**166,467**	**172,584**
Balance at end of period		**6,117**	**(66)**	**166,467**	**172,518**

The Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements set out on pages 14 to 19.

Statement of Cash Flows for the year ended 30 June 2018

	Note	2018 $'000	*2017 $'000
Cash flows from investing activities			
Purchase of shares in subsidiary	6	25,018	6,117
Net cash flows from investing activities		**25,018**	**6,117**
Cash flows from financing activities			
Proceeds from issue of share capital		(25,000)	-
Payments to related parties		-	(6,105)
Payments to legacy shareholders		(19)	(10)
Net cash flows from financing activities		**(1)**	**(6,115)**
Net (decrease)/increase in cash and cash equivalents		(1)	2
Cash and cash equivalents at the beginning of the year		2	-
Cash and cash equivalents at the end of the year		**1**	**2**

** For the period 28 April 2016 to 30 June 2017*

The Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements set out on pages 14 to 19.

1. SIGNIFICANT ACCOUNTING POLICIES

Club Finance Holdings Limited (the Company) is a company domiciled in Australia and was incorporated on 28 April 2016. The address of the Company's registered office is 2649 Logan Road, Eight Mile Plains, Queensland, 4113. The ultimate holding company of Club Finance Holdings Limited is The Royal Automobile Club of Queensland Limited (RACQ). The Company is a for-profit entity.

The board resolved to extend the first accounting period from the date of incorporation to 30 June 2017 in accordance with section 323D of the *Corporations Act 2001* (Cth).

The exemption from consolidation, in accordance with AASB 10 *Consolidated Financial Statements*, has been applied for the year ended 30 June 2018. The consolidated financial statements of RACQ, a company domiciled in Australia, are available from RACQ's registered office, being 2649 Logan Road, Eight Mile Plains, Queensland, 4113.

a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the *Corporations Act 2001*. The financial report of the Company complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

b) Basis of measurement

The financial statements are presented in Australian dollars and have been prepared on the historical cost basis.

c) New standards and interpretations not yet adopted

No standards, amendments to standards or interpretations have been identified that would impact the Company in the period of initial application.

d) Investments

Investments in subsidiaries are carried in the Company's financial statements at cost.

e) Non-derivative financial instruments

Non-derivative financial assets

The Company has the following non-derivative financial assets:

Cash and cash equivalents

Cash includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid financial assets with original maturities of three months or less that are readily convertible to known amounts of cash. These are used by the Company in the management of its short-term commitments.

Trade and other receivables

Trade and other receivables are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, trade and other receivables are measured at amortised cost using the effective interest method, less any impairment losses. Trade and other receivables are assessed at each reporting date to determine whether there is objective evidence of impairment, such as default or delinquency by a debtor.

Non-derivative financial liabilities

Trade and other payables

Trade and other payables are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. Trade and other payables are unsecured, non-interest bearing and are usually settled within 30 days.

f) Dividend income

Dividend income is recognised when the right to receive payment is established.

g) Dividend

Dividends are recorded during the financial period in which the dividends are approved by the shareholders.

RACQ

2. INCOME TAX

There is no income tax payable in the financial period ended 30 June 2018

3. INVESTMENTS

	2018 $'000	2017 $'000
Non-current		
Investment in subsidiary	192,150	167,150

4. TRADE AND OTHER RECEIVABLES

	2018 $'000	2017 $'000
Loan to related entity	6,114	6,114

5. TRADE AND OTHER PAYABLES

	2018 $'000	2017 $'000
Redeemable preference shares	654	674
Intercompany payable	75	66
Accrued expenses	-	9
Total Trade and other payables	**729**	**748**

6. SHARE CAPITAL

	2018 $'000	2017 $'000
On issue at beginning of year – fully paid	6,117	-
Issue of ordinary shares	25,018	6,117
On issue at year end – fully paid	**31,135**	**6,117**

7. FINANCIAL INSTRUMENTS

The fair value of financial assets and liabilities approximate their carrying value.

7.1. BANKING CAPITAL MANAGEMENT

As a Non-Operating Holding Company (NOHC) authorised by the Australian Prudential Regulatory Authority (APRA), the Company is subject to the capital adequacy requirement.

APRA sets and monitors capital requirements for the Bank in accordance with Prudential Standard 110 *Capital Adequacy*.

The Bank's objective is to maintain sufficient capital resources to support business activities and operating requirements and to ensure continuous compliance with externally and internally imposed capital ratios.

To manage, monitor and report regulatory and economic capital the Bank has an Internal Capital Adequacy Assessment Process ('ICAAP') policy which sets out the objectives, processes, responsibilities and reporting requirements for the ICAAP and an annual ICAAP document which sets out the results of the annual assessment process.

The regulatory capital position of the Company is as follows:

	2018 $'000	2017 $'000
Common Equity Tier 1 Capital		
Paid-up ordinary share capital	25,000	-
General reserves	-	(55)
Retained earnings	143,513	146,610
Other reserves	20,582	20,810
Common Equity Tier 1 Capital	**178,513**	**167,365**
Less: prescribed deductions	(37,840)	(34,563)
Net Common Equity Tier 1 Capital	**140,673**	**132,802**
Tier 2 Capital		
General reserve for credit losses	2,500	2,200
Less: prescribed deductions	-	-
Net Tier 2 Capital	**2,500**	**2,200**
APRA Capital base	**143,173**	**135,002**
Risk weighted assets	798,784	710,646
Risk weighted capital ratios		
Tier 1	17.6%	18.7%
Tier 2	0.3%	0.3%
Total capital ratio	**17.9%**	**19.0%**

8. TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management personnel do not receive separate remuneration for their roles with the Company but are remunerated by a related party within the RACQ Group, of which, The Royal Automobile Club of Queensland Limited is the ultimate parent entity. The entire compensation paid by the related party to key management personnel for the year ended 30 June 2018 has been disclosed below.

8.1.1. *KEY MANAGEMENT PERSONNEL COMPENSATION*

Key management personnel compensation comprises:

	2018 $	2017 $
Short-term employee benefits	564,742	229,574
Post-employment benefits	52,377	23,620
Other long-term benefits	-	-
	617,119	**253,194**

9. NOTES

9.1. BUSINESS COMBINATION

Merger of Club Finance Holdings Limited and QT Mutual Bank Limited

On 24 November 2016, Club Finance Holdings Limited (CFH) acquired 100% of the shares of QT Mutual Bank Limited (QTMB), via a court approved Scheme of Arrangement. CFH is a wholly owned subsidiary of The Royal Automobile Club of Queensland Limited, a mutual, and therefore the merger with QTMB is a joining of 2 mutual entities. As per the Scheme of Arrangement, each QTMB member received a redeemable preference share in CFH. CFH issued 67,923 redeemable preference shares. As a consequence of the merger, each QTMB member became a member of RACQ.

QTMB provides retail financial products and services to members and the merge will help RACQ diversify its operations into banking. The transaction will also provide QTMB with access to RACQ's scale, brand and resources, which will provide the opportunity to significantly grow the banking business.

Consideration transferred

As part of the transaction, QTMB members effectively swapped an interest in QTMB for an interest in CFH rather than exchanging their interest for cash and/or marketable securities. Hence the fair market value of QTMB has been used to determine the consideration transferred.

	2017
	$'000
Fair value of QTMB	167,150

Acquisition-related costs

Costs of $1,442,254 incurred in relation to the merger with QTMB were recognised by CFH's ultimate parent entity, The Royal Automobile Club of Queensland Limited.

Identifiable assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of QT Mutual Bank Limited as of the date of acquisition were:

	2017 $'000
Cash and cash equivalents	40,400
Other receivables	3,437
Financial assets at amortised cost	150,647
Financial assets at fair value through other comprehensive income	8,696
Loans and advances	1,285,114
Property, plant and equipment	6,247
Deferred tax assets	4,849
Intangible assets	14,253
Other assets	76
Deposits	(1,326,667)
Accrued interest on deposits	(5,245)
Borrowings	(2,212)
Other payables	(7,089)
Derivatives	(190)
Provision for income tax	(3,872)
Deferred tax liabilities	(5,483)
Employee benefits	(3,100)
Provisions	(505)
Net assets acquired	**159,356**

Goodwill arising on acquisition

	2017 $'000
Consideration transferred	167,150
Less: fair value of identifiable net assets acquired	159,356
Goodwill arising on acquisition	7,794

The goodwill arising from the acquisition reflects the value of the QTMB workforce and expected synergistic benefit to RACQ in the form of ready access to QTMB's banking platform and cost savings in corporate overhead and IT related costs. None of the goodwill recognised is expected to be deductible for tax purposes.

Accounting polices

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred, the liabilities incurred to former owners of the acquiree, and any equity issued by the Company, plus the amount of any non-controlling interest in the acquiree. The non-controlling interest in the acquiree is measured either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

Merger reserve

The excess of the fair value of assets acquired over the liabilities assumed is taken directly to members' funds as a merger reserve.

9.2. AUDITOR'S REMUNERATION

	2018	2017
	$	$
Audit services		
Auditors of the Company – KPMG Australia		
Audit of the financial report	4,700	4,600
Other regulatory audit services	8,500	8,300
	13,200	**12,900**

9.3. EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since the end of the financial year which have significantly affected the operations of the Company, the results of those operations or the state of affairs of the Company.

DIRECTORS' DECLARATION

In the opinion of the directors of Club Finance Holdings Limited (the "Company"):

(a) the financial statements and notes, set out on pages 10 to 19, are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the financial position of the Company as at 30 June 2018 and of its performance, for the year ended 30 June 2018; and

(ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors draw attention to Note 1 of the financial statements, which include a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

John Minz

Chairman

Brisbane

24 September 2018

KPMG

Independent Auditor's Report

To the shareholder of Club Finance Holdings Limited

Opinion

We have audited the ***Financial Report*** of Club Finance Holdings Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Balance sheet as at 30 June 2018;
- Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

Other Information is financial and non-financial information in Club Finance Holdings Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001;*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Company's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our Auditor's Report.

KPMG

KPMG

T Baker

Tracey Barker
Partner

Brisbane
24 September 2018